



Department for
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Angus Brendan MacNeil MP
Chairman, International Trade Committee
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17th June 2019

Dear Angus,

Thank you for your letter dated 15th May 2019 regarding our programme for transitioning existing trade agreements which the UK participates in as a member of the EU.

Securing continuity for EU trade agreements remains a top priority for my Department. UK trade with the countries with which we are seeking continuity accounted for £139bn or 11% of UK total trade in 2018. This 11% figure excludes Turkey (plus San Marino and Andorra) which is part of a customs union with the EU, and excludes Japan, as the Economic Partnership Agreement only came into force on 1st February 2019 and therefore business have only very recently been trading under this agreement. As I and my Ministers have repeatedly stated to the Committee and elsewhere in Parliament, the best way to provide continuity is to ensure that we leave the European Union with a deal. This would enable the UK to remain covered by the existing EU agreements during the Implementation Period.

Nevertheless, we continue to work hard to have bilateral agreements ready for when we need them, whether that is for a No Deal scenario or after an Implementation Period. As you are aware, since March 2019, we have signed trade continuity agreements with Iceland-Norway, the Pacific states (Fiji and Papua New Guinea), and a series of Caribbean countries through the UK-CARIFORUM agreement.

As you will have seen from my letter dated 16th May 2019, most recently the UK signed a trade continuity agreement with Andean countries on 15th May 2019, helping strengthen the trading relationship between the UK and Colombia, Peru and

Ecuador, which was worth over £2 billion last year. Once in force after we have left the EU, the agreement will allow businesses to trade as freely as they do now, without any additional barriers or tariffs.

Furthermore, as the Committee will be aware, the UK has also reached an agreement in principle with Korea on the terms of a continuity trade agreement, which will ensure UK and Korean businesses can continue to benefit from existing trade arrangements, as they do currently. The text will be signed in due course, once our officials have completed the necessary procedures including the legal scrub and translation of the text.

Korea is one of the most significant markets covered by existing EU trade agreements. Once the agreement is signed, the UK will have signed agreements with countries that account for 63% of trade currently covered by EU agreements for which the UK is seeking continuity in a No Deal. That has moved from 28% three months ago.

Progress on specific agreements

In your letter, you requested an update on some specific agreements. With regard to **Canada, the Southern African Customs Union and Mozambique**, all are at an advanced stage and our discussions are on-going. We continue to make progress and my Department will inform the committee as soon as we finalise agreements. As the Committee will recall from evidence given by myself and the Minister of Trade Policy, there are external factors which means we can't dictate the pace of progress. For example, some countries have not fully engaged with the prospect that leaving the EU without an agreement remains a possibility, though this is not our preferred option. Others have domestic political circumstances – such as elections – which impact on their ability to engage fully in our technical discussions.

My department, along with the Foreign and Commonwealth Office and the Department for International Development, continue to progress these discussions at pace to ensure we are prepared.

As you are aware, our approach for **Japan and Turkey** differs from the other countries with which the UK currently participates in a trade agreement through EU membership. Turkey is in a customs union with the EU and therefore it is not possible to fully replicate these arrangements after we leave the EU. However, we continue to explore with Turkey all options for enabling continuity of trade where possible.

The EU-Japan Economic Partnership Agreement only came into force on 1st February 2019. Many tariff reductions and other provisions came into effect on entry into force, but other reductions will activate later, some over a number of years. Therefore, in planning next steps for Japan, we will take into account our overall approach to scrutiny and consultation for trade agreements, which was set out in the Command Paper on Scrutiny and Transparency. The UK and Japan will use the EU-Japan EPA as the basis for our future economic partnership, which will be as ambitious, high standard and mutually beneficial as the EU-Japan EPA. The Prime Minister and Japanese Prime Minister Shinzō Abe have agreed to work quickly to establish our new economic partnership.

Regarding **Singapore**, the EU-Singapore FTA has yet to enter into force. As I set out in my letter dated 21st March 2019, continuity for this agreement will depend on when it is brought into effect and whether the effects would apply to the UK at that point in time. Article 129 of the Withdrawal Agreement, and the notification proposed in the footnote to that article, will serve as the basis for the continued application of EU International Agreements to the UK during the implementation period.

Government's approach and priorities

In your letter, you asked about our approach and how we prioritise our work. In delivering this important work, we regularly assess our delivery plans preparing for all scenarios including a No Deal. Ahead of potential No Deal scenarios, we increased resources allocated to the programme to maximise efforts to deliver as many of the remaining agreements as possible for exit day or soon after. Extensions to Article 50 have given us and partner countries more time to further progress our work to avoid disruption to trade flows for businesses and consumers.

We do not have a fixed priority list, but rather set and adjust priorities dynamically. These calculations are based not only on external variables, such as economic importance or broader UK foreign policy objectives, for example our development agenda with developing countries; but also our internal judgment of where efforts at a given time are most likely to be productive and where we are likely to get the best results.

Coverage of signed agreements

To deliver continuity, we have developed new bilateral agreements that replicate, as far as possible, the effects of our existing trade agreements with existing partners. We have been consistently clear about our approach and transparent about any significant changes to the trade-related provisions of our existing agreements, setting these out in Parliamentary Reports published alongside agreements.

You mentioned specifically our agreements with Switzerland, Norway and Iceland. In the agreement with Switzerland, we have successfully replicated the effects of the main trade-relevant agreements to the extent possible. Among other things, we have secured the full replication of all preferential tariff rates, including an approach to rules of origin that still allows the cumulation of EU content; the full continuation of reciprocal government procurement market access; and the continued protection of geographical indications.

In the agreement with Norway and Iceland we have agreed on the elements of our trade relationship which could be transitioned in a 'no deal' scenario. These cover the areas where Norway and Iceland are not constrained by their European Economic Area ("EEA") obligations and where the UK's continued alignment with EU/EEA rules is not required.

As set out in the Parliamentary reports for these agreements, there are some areas with these countries which we have not yet been able to transition whilst our relationship with the EU is still to be determined. This is because they operate under

some degree of equivalence or harmonisation with EU laws and systems. We have explained in the Parliamentary reports what the implications of not transitioning the relevant areas would be. We will continue to engage with these countries to transition those areas, where the future UK-EU relationship makes this possible.

Helping business prepare for a No Deal

With regard to your question on what support we offer business to prepare for a No Deal scenario, the Government has published extensive advice on GOV.UK helping businesses prepare for a potential No Deal scenario. All the documents on trade continuity agreements we have provided to Parliament to assist its role in scrutinising these agreements, including the Explanatory Memoranda and Parliamentary Reports, are made available on GOV.UK.

We have also published export country guides for businesses explaining changes for UK exporters to individual countries, including our current free trade agreement partners, if we leave the EU with no deal. We will continue to publish further advice.

Information available online is complemented by my Department's regular engagement with businesses on a wide range of issues, including trade continuity. My Department has a large and experienced network of 240 International Trade Advisors throughout England who provide face-to-face support for exporters. Similar services are available elsewhere in the UK, operated by Scottish Development International, Welsh Government and Invest Northern Ireland. We will continue to provide this support as we approach Exit Day and supplement the detailed guidance already available online.

We will continue to keep the Committee informed as we initial and sign further trade continuity agreements.

yours sincerely,


THE RT HON DR LIAM FOX MP
Secretary of State, Department for International Trade
& President of the Board of Trade